

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

INTERNATIONAL BUSINESS)
MACHINES CORPORATION,)
)
Plaintiff,)
) C.A. No. 16-122-LPS
v.)
)
GROUPON, INC.,)
)
Defendant.)

Friday, July 13, 2018
8:40 a.m.
Courtroom 6B

844 King Street
Wilmington, Delaware

BEFORE: THE HONORABLE LEONARD P. STARK
United States District Court Judge

APPEARANCES:

POTTER ANDERSON & CORROON, LLP
BY: BINDU PALAPURA, ESQ.

-and-

DESMARAIS, LLP
BY: KARIM Z. OUSSAYEF, ESQ.

Counsel for the Plaintiff

1 APPEARANCES CONTINUED:

2
3 ASHBY & GEDDES
4 BY: JOHN G. DAY, ESQ.

5 -and-

6 FENWICK & WEST, LLP
7 BY: J. DAVID HADDEN, ESQ.
8 BY: SAINA S. SHAMILOV, ESQ.
9 BY: PHILLIP J. HAACK, ESQ.
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11 BY: JESSICA KAEMPF, ESQ.

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13 LEE SULLIVAN SHEA & SMITH, LLP
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15 Counsel for the Defendant

16 COZEN O'CONNOR
17 BY: GREGORY FISCHER, ESQ.

18 Counsel for Hulu and
19 GoDaddy Operating Company

20 PHILLIPS GOLDMAN McLAUGHLIN & HALL
21 BY: DAVID A. BILSON, ESQ.

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23 ROPERS MAJESKI KOHN BENTLEY PC
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Counsel for Kabam, Wipro,
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MORRIS NICHOLS ARSHT & TUNNELL
BY: JEREMY A. TIGAN, ESQ.

Counsel for Activision, Cognizant,
Facebook, LinkedIn and Twitter

1 THE COURT: Good morning,
2 everyone. Start by having whoever wishes to put
3 their appearances on the record.

4 MS. PALAPURA: Good morning, Your
5 Honor. Bindu Palapura from Potter Anderson on
6 behalf of IBM. And with me today is Karim
7 Oussayef from Demarais, LLP.

8 MR. OUSSAYEF: Good morning, Your
9 Honor.

10 MR. DAY: Good morning, Your
11 Honor. John Day from Ashby & Geddes from
12 Groupon. With me at counsel table is Dave
13 Hadden and Saina Shamilov from Fenwick & West.
14 Behind them is Phil Haack, Sapna Mehta, and
15 Jessica Kaempf, also from Fenwick & West. And
16 we have one new name and face for Your Honor
17 this morning, Sean Sullivan from Lee Sullivan
18 Shea & Smith.

19 We have some conflict issues with
20 respect to some of the interveners and
21 Mr. Sullivan may address the specific questions.

22 THE COURT: Welcome. Thank you.

23 And I suspect we have some
24 interveners in the room, so if you wish to make

1 your appearances, please.

2 MR. FISCHER: Good morning, Your
3 Honor. Greg Fischer from Cozen & O'Connor on
4 behalf of GoDaddy Operating Company and Hulu,
5 two of the interveners in the matter.

6 THE COURT: Thank you.

7 MR. BILSON: Good morning, Your
8 Honor. David Bilson, Phillips, Goldman,
9 McLaughlin & Hall for interveners Kabam, Inc.,
10 Wipro Limited and Maxim Integrated Products and
11 Infosys Limited. With me in the courtroom on
12 behalf of Wipro, Maxim and Infosys is Andrew
13 Margulis from Ropers, Majeski, Kohn, Bentley.

14 MR. MARGULIS: Good morning, Your
15 Honor.

16 THE COURT: Good morning.

17 MR. TIGAN: Good morning, Your
18 Honor. Jeremy Tigan from Morris Nichols on
19 behalf of third parties Activision, Cognizant,
20 Facebook, LinkedIn and Twitter.

21 THE COURT: Thank you. All right.
22 So we're here first to deal with the issue of
23 whether the courtroom should be closed at all
24 during this trial. I do want to give a chance

1 for everyone who wishes to be heard to be heard
2 on that. Of course I have received many
3 letters. I'm sure you all have seen them. I
4 have reviewed them and may have some questions.

5 After we deal with that, provided
6 there is still time because I do have other
7 things going on this morning, I'll meet with the
8 parties to talk about some of the other issues
9 that have arisen between the parties.

10 So let's start with the
11 third-party intervening issue. I want to start
12 with IBM. We haven't heard anything formally
13 from you. I can guess what your position is,
14 but if there is anything you wanted to say on
15 this issue, why don't you start us off.

16 MR. OUSSAYEF: Good morning, Your
17 Honor. Karim Oussayef from IBM. Yes, that is
18 correct, we haven't submitted anything formal
19 since the discussions in the pretrial order.
20 IBM's position remains the same, but we didn't
21 feel like it was necessary to reiterate the
22 previous points.

23 The only thing that we would
24 propose is one solution that might balance First

1 Amendment concerns with the concerns of the
2 confidentiality might be if someone at the
3 podium is going to delve into the details of a
4 license that in that case we could seal the
5 courtroom, ask everyone to leave that isn't
6 under the protective order and have them come in
7 once the parties are through those issues.
8 That's the only additional proposal that IBM has
9 to offer to the Court.

10 THE COURT: One thing that's
11 unclear to me is the timing of which you gave
12 notice to the various third parties. Is there
13 an easy answer to that? I know there is a lot
14 of third parties at this point.

15 MR. OUSSAYEF: Yes, Your Honor,
16 it's an easy answer. When the licenses were
17 first produced in this litigation, we gave
18 notice to all of the third-party licensees. So
19 that was back a year or two ago. And told them
20 that they were being produced in the case
21 according to the protective order and attached a
22 copy of the protective order.

23 Then when the Court ruled on IBM's
24 request to seal the courtroom when the licenses

1 were discussed and the Court denied that motion,
2 at that point IBM gave additional notice to all
3 the licensees informed them of the Court's
4 decision.

5 THE COURT: So there is at least
6 one third party that may have misread that
7 suggest that they heard from IBM around July 3rd
8 which would have been at least a week after the
9 pretrial conference. And didn't expressly
10 indicate that they had heard from you at the
11 time of the production, didn't deny it, but
12 didn't expressly say that. That would be an
13 incorrect impression if I took that impression.

14 MR. OUSSAYEF: Yes, Your Honor, we
15 gave notice to all the licensees at the time the
16 licenses were produced.

17 THE COURT: And is it an easy
18 answer what your sense is as to putting aside
19 what the defendant is going to do with these
20 agreements at trial, what you would intend to
21 do, how many of them you intend to use, and how
22 detailed your use of them would be?

23 MR. OUSSAYEF: IBM's presentation
24 of the licenses is anticipated to be less

1 detailed than Groupon's presentation. That
2 being said, certainly IBM intends to mention the
3 licenses that are relevant to many issues in the
4 case. In terms of going through the specific
5 terms and saying, you know, exactly what the
6 language is, I think that would be fairly
7 limited, Your Honor, but there is some
8 references to a license defense, for example in
9 this case, and, you know, that would require
10 some discussion of the detail terms.

11 THE COURT: And if I were
12 considering something along the lines of where
13 the agreements came in the courtroom was open
14 but we didn't specifically identify who the
15 licensees are, so there is maybe six or ten or
16 whatever, there is a bundle of them, and we
17 don't tell the jury even, you know, license
18 agreement one was with Hulu, for instance, would
19 that prejudice the plaintiff's case?

20 MR. OUSSAYEF: Yes, Your Honor, we
21 do believe that would prejudice the case. One
22 of the important issues in here is, for example,
23 secondary considerations and who these companies
24 are in terms of how important the technology is

1 to a particular sector.

2 Furthermore, the comparison
3 between Groupon's position in this case and
4 other web technology companies is very
5 important. If these companies are in the same
6 kind of business, it is important to signal that
7 to the jury so that they understand that these
8 licenses are the same kind of business and the
9 same type of people who, you know, took a
10 license willingly where Groupon has not.

11 THE COURT: Okay. Thank you.
12 Anything else you wanted to add at this point?

13 MR. OUSSAYEF: No, Your Honor,
14 that's all we had.

15 THE COURT: All right. Because as
16 I see at least the third parties are for the
17 most part aligned with the position that IBM
18 articulated, I'll hear from them and then we'll
19 turn it over to Groupon. So if any of the third
20 parties want to be heard on this issue, you can
21 come forward at this point.

22 Good morning.

23 MR. FISCHER: Thank you again.
24 Greg Fischer from Cozen & O'Connor on behalf of

1 GoDaddy and Hulu.

2 It's the position of my clients,
3 and it's somewhat duplicative so I'll address it
4 at once and if you have specific questions to
5 the individual clients, please let me know. But
6 it's their position that the mere existence of
7 these license agreements and these documents are
8 confidential per the terms of the agreements.

9 When it was disclosed to us that
10 they were going to be turned over subject to a
11 protective order, that was one analysis, one
12 consideration. But then I guess two weeks ago
13 when we learned, roughly two weeks ago when we
14 learned that these documents would be provided
15 in open court, it was a different consideration.

16 There are certainly sensitive
17 terms as our papers laid out. We have analyzed
18 the law on the issue and we think it balances in
19 our favor, specifically the Pansy factors from
20 the Third Circuit. With more specificity
21 because I realize that was one of Groupon's
22 arguments in their rebuttal letter, the
23 competitive harm issue, these documents contain
24 very sensitive pricing issues, pricing terms,

1 payment, identification terms and language.

2 They also contain specifically negotiated terms
3 consisting of usage of the licenses, even down
4 to subsidiaries, affiliates, and potential
5 manufacturing arrangements.

6 Without getting into anymore of
7 those details, because we do consider those to
8 be confidential per the terms, I believe that
9 that specificity satisfies the good cause
10 requirement as it was addressed by the District
11 of New Jersey in the Castaleage case.

12 Our position remains that as
13 uninterested and innocent third parties in the
14 matter, when the Pansy factors are applied, the
15 balance goes in favor of sealing the courtroom.

16 We've reached out to counsel for
17 Groupon to try to figure out what the usage of
18 these documents might be. I'm not sure at this
19 point whether I understand the concept enough of
20 how they will be presenting these licenses to
21 tell you whether we can redact certain parts or
22 fully seal the courtroom, so in the interest of
23 conservativeness, I would say we need to fully
24 seal the courtroom regarding any discussion of

1 even the existence of these agreements as it was
2 laid out in the papers.

3 If Your Honor has any further
4 questions than that, I'm more than happy to
5 field them.

6 THE COURT: There is an argument
7 from Groupon, and I will admit I didn't
8 carefully map whether it applies to GoDaddy or
9 Hulu, or neither or both, so if you have nothing
10 responsive, I'll understand, that suggest that
11 at least the existence of some of these
12 agreements is already a public fact, and that,
13 you know, not everything that you're asking me
14 to keep confidential really is even confidential
15 at this moment. Does that apply in any way to
16 your two clients?

17 MR. FISCHER: I don't believe that
18 applies to my two clients. It's my clients'
19 position both collectively that that is not the
20 case, that these are confidential agreements by
21 their terms, and that any disclosure could be
22 problematic. So I saw the pleading, I think it
23 was last night from Groupon, regarding some of
24 the other interveners, I'll let them speak to

1 that effect, but I don't believe it affects my
2 clients.

3 THE COURT: What about the general
4 idea that you're in a business relationship with
5 an entity that licenses patents and asserts
6 patents. You have known for some time that
7 they're litigating at least some of the patents
8 that evidently your clients have a license to.
9 While certainly the parties want for their own
10 reasons to preserve confidentiality and
11 contracted for that, it's all of course as you
12 know subject to court order and a First
13 Amendment right of the public and others. And
14 this is just one of the risks of doing business
15 with an entity that is doing other things with
16 its patents. And while that may be unfortunate
17 for your clients, that's just the way things
18 happen sometimes. Why shouldn't I see it that
19 way?

20 MR. FISCHER: While I can
21 appreciate Your Honor's perspective, GoDaddy and
22 Hulu are both private companies. These
23 agreements were specifically crafted between the
24 legal counsel for the parties to the agreements,

1 and specifically did include the confidentiality
2 language. So from a business perspective, these
3 are private parties that did not avail
4 themselves to this. They specifically
5 negotiated a clause in the agreements that would
6 control perhaps the disclosure of the
7 information therein. It was not the position of
8 either of my clients to avail themselves of this
9 forum and on the basis of the carefully
10 negotiated language of the agreements we believe
11 that the confidentiality should stand.

12 THE COURT: Okay. Anything else?

13 MR. FISCHER: Not at the moment.

14 Thank you.

15 THE COURT: Thank you. Any other
16 interveners want to be heard?

17 Good morning.

18 MR. MARGULIS: Good morning, Your
19 Honor. Andrew Margulis for Wipro, Maxim and
20 Infosys. And just to clarify, it was in one of
21 my letters on behalf of Wipro that I mentioned
22 that Wipro did not have knowledge of the earlier
23 disclosure when it was first made, and I didn't
24 mean to say that they didn't get it, it's just

1 that they couldn't find it, so they had no
2 knowledge if they actually got it so they
3 couldn't say whether they did or they didn't,
4 but the people they checked with on both the
5 legal and the business side didn't know anything
6 about it.

7 THE COURT: You're not here to say
8 that what IBM represents is incorrect?

9 MR. MOORE: Not at all. I will
10 echo what GoDaddy argued, and again, my clients
11 are in different sectors of the technology
12 industry, but they did negotiate these license
13 agreements and the cross license agreements with
14 various patents that they own with IBM. And it
15 is very commercially sensitive information.
16 They don't want competitors and other people in
17 the industry knowing about the specific patents
18 they're licensing or how they work with their
19 specific technology that they're cross
20 licensing. And there are obviously pricing
21 terms that are very competitive that could have
22 serious consequences.

23 As far as we know, we understand
24 Your Honor's concern that we entered into

1 license agreements with IBM who is a big company
2 and that just happens sometimes. We did
3 negotiate confidentiality terms and certainly
4 there was no belief or knowledge at the time
5 that IBM would end up in a patent litigation
6 years later and this would become an issue. So
7 everyone negotiating these license agreements
8 knows that in these industries these are very
9 commercially sensitive terms and technologies
10 and they had no indication that they would ever
11 become public and they have done everything they
12 can not to make it public.

13 THE COURT: I'll accept that
14 representation, you're in the industry and I'm
15 not, but why shouldn't I view that as IBM's
16 problem at this point? If you didn't know,
17 maybe you did or didn't have a right to know,
18 but you know, isn't your recourse, whatever it
19 may be, against the party that you're in a
20 license agreement with?

21 MR. MARGULIS: Not necessarily.
22 If the agreement -- if the agreement was
23 produced, my understanding is that if the
24 agreement was produced a year or two ago in

1 discovery with attorneys eyes only designation
2 which does provide some level of protection
3 without knowing it would become public, my
4 understanding in discussions with IBM was that
5 they were not going to introduce these specific
6 terms into evidence which means we have an
7 agreement with IBM that IBM can't use it and has
8 to keep it confidential, but now it's been
9 produced as it was required to Groupon, we have
10 no contractual relationship with Groupon, so if
11 Groupon intends to come into court and read
12 that, we have no recourse against Groupon, and
13 that becomes the issue.

14 THE COURT: Anything else?

15 MR. MARGULIS: No, Your Honor.

16 THE COURT: Thank you.

17 Good morning.

18 MR. TIGAN: Good morning again,
19 Your Honor. Just one point for Mr. Margulis I
20 want to pick up on and then just a brief
21 response to the letter Groupon filed last night.
22 One point many of my clients find is important
23 and maybe didn't come out at the pretrial
24 conference is that the licenses are not all just

1 from IBM to licensees, and wouldn't affect just
2 IBM's licensing program. Many of my clients
3 have cross licenses with IBM in which we have
4 licensed our own patents and trademarks to IBM,
5 negotiated financial terms and other provisions,
6 again, with an expectation of confidentiality.
7 And we think we're in a position that way in
8 addition to being nonparties to this case.

9 THE COURT: I know you're new to
10 the case, but do you have any understanding from
11 the parties as to whether the cross license
12 terms, that is related to your client's patents
13 going to IBM I guess, whether anyone intended to
14 make any use of that in this case.

15 MR. TIGAN: It's unclear. We
16 learned more in Groupon's letters to be candid
17 last night and Twitter in particular received
18 some comfort that one of the paragraphs and one
19 of the exhibits that we are concerned about
20 Groupon doesn't intend to elicit testimony
21 about. We have done some review of what's on
22 the docket, but to be honest, you know, we don't
23 have a good idea.

24 Just a couple of comments about

1 Groupon's letters, because they have some
2 concerns we don't think are valid, but they may
3 be concerns we think the Court has. Groupon
4 said my clients didn't articulate any specific
5 competitive harm and we disagree, that's why we
6 took the declaration that's we did and submitted
7 them to the Court. We wanted the Court to know
8 that this isn't just our say so, but our clients
9 have looked at this and have signed on
10 declarations specifying specific harm.

11 And in one case we identified a
12 specific paragraph and exhibit that's sensitive
13 to us. In others we're concerned about our own
14 licensing program and, you know, the public and
15 competitors having access to information about
16 that and encumbering us. Across the board my
17 clients are also concerned about the financial
18 aspects of this also becoming public, giving
19 others a window into their licensing practices,
20 how they value intellectual property and maybe
21 even encouraging others to file suit against
22 them.

23 To the extent Groupon suggest that
24 we're trying to protect the fact of the

1 agreements from becoming public, at least for my
2 clients, I can't speak for any others, we're
3 not. I think it's apparent from the docket now
4 that there is agreements in place. We're not
5 trying to protect things like the date of the
6 agreements or some of the particulars, but we do
7 have concerns about the financial aspects and,
8 of course, some client specific concerns that we
9 articulated in the declaration. And if we knew
10 more about what the party's plans were, perhaps
11 we would have fewer concerns or we could propose
12 some limited redactions or excerpts that might
13 make this less burdensome for the Court.

14 On the prior notice, some of my
15 clients definitely did receive notice during
16 discovery, others just can't recall. But we
17 think it's different to receive notice that your
18 agreement may be produced to outside counsel and
19 experts under a protective order as opposed to
20 the whole agreement becoming public at trial and
21 being available through the clerk's office.

22 THE COURT: Isn't it reasonable
23 foreseeable, though, that the latter may have
24 happened sometime down the road if the case goes

1 to trial?

2 MR. TIGAN: I think that's a fair
3 point, Your Honor, and granted few cases go to
4 trial these days, but some of my clients have
5 had the experience in this district and others
6 that licensing terms are protected at trial,
7 courtroom is closed for just a limited amount of
8 time when there is specific testimony about the
9 particulars of a license and every so often the
10 opportunity to at least weigh in on redactions
11 as to anything in the post-trial record. So I
12 think those expectations have been changed a
13 little bit by experience in other cases, if
14 that's fair to say.

15 Just one other point about
16 Groupon's position. We understand their
17 position and why they're taking that position
18 for trial. And certainly the case law they
19 cited is case law others have cited and Your
20 Honor should take it into account, but you know,
21 looking on the public docket, there is a
22 protective order. Groupon has taken advantage
23 of it at least a dozen times and filed their own
24 things under seal, and redacted versions

1 thereafter. Now, often items that may have been
2 because IBM's information was in there, but as
3 far as I can tell from some of the redactions it
4 was also Groupon's information, so to the extent
5 Groupon argues that third parties should be
6 deprived of any protection, we don't think that
7 should be given much weight.

8 And the last thing is, things
9 happen, right, during trial despite agreements
10 to not say this or not say that or to be careful
11 about certain things, sometimes a witness blurts
12 something out, sometimes counsel puts the wrong
13 thing up on the monitor, and my clients would
14 respectfully ask if counsel for the parties
15 could do it they concentrate the testimony into
16 a specific range or a couple of ranges, seal the
17 courtroom and that would provide everyone more
18 protection.

19 THE COURT: Is there any potential
20 merit to this idea I threw out earlier I think
21 with Mr. Oussayef about, since I do have roughly
22 a dozen of these agreements redacting the name
23 of the licensee or the other party besides IBM
24 and just letting the public know there is about

1 a dozen of these, but you don't get to know who
2 they are?

3 MR. TIGAN: I have discussed that
4 with at least one client and I think at least
5 one would be comfortable with it. I think it
6 would depend on what other provisions in some
7 instances were going to be talked about, whether
8 the names or financial terms were disclosed.
9 But I will tell you across the board for my five
10 clients there is a high sensitivity about the
11 financial terms, so to the extent those were
12 disclosed even without names, I suspect we would
13 still have concerns.

14 THE COURT: Thank you very much.

15 MR. TIGAN: Thank you.

16 THE COURT: Any other third
17 parties want to be heard?

18 MR. BILSON: Good morning, Your
19 Honor. Thank you for the opportunity to be
20 heard. I really have nothing of substance to
21 add. I just wanted to join in and incorporate
22 the arguments of the other interveners on behalf
23 of my clients.

24 THE COURT: Thank you.

1 MR. BILSON: Thank you.

2 THE COURT: Then we'll hear from
3 Groupon.

4 MS. SHAMILOV: Good morning, Your
5 Honor.

6 THE COURT: Good morning.

7 MS. SHAMILOV: With respect to the
8 existence of the agreement that someone just
9 already said, it's now on the public docket that
10 these entities have agreements with IBM. I
11 think it would probably be helpful for the Court
12 what it is that we intend to potentially use.
13 There are over forty agreements that were
14 produced, so the problem with sealing the
15 courtroom as some of the parties are now asking
16 we're going to be sealing and opening, sealing
17 and opening potentially every few minutes.
18 We're going to be talking about a lot of
19 agreements at least in our case and in the
20 crosses of some of the fact witnesses and expert
21 witnesses of IBM, so in terms of what is it that
22 we need, unfortunately the names of the
23 licensees will be hard I think with both
24 parties' cases and there is no way to go around

1 it without prejudicing the parties. The
2 financial terms are very important, what other
3 parties paid for these patents will be important
4 because the patents in the case are specifically
5 part of these cross licenses.

6 The notion -- the cross license
7 portion, we need to know -- we would like to use
8 the fact that there was a cross license and sort
9 of the volume of the license, of the cross
10 license, meaning how many patents, but we don't
11 care about the actual individual patent numbers
12 or applications or whatnot, so to the extent --
13 not all agreements have those kind of exhibits,
14 so to the extent there is an exhibit with lists
15 of just patents with the licenses and cross
16 licenses to IBM, we do not intend to use that
17 exhibit, we just want to know how many patents
18 and we want the jury to know how many patents
19 were cross licensed as part of the arrangement.

20 I think this is generally what we
21 -- obviously there is a licensing defense, too,
22 so for at least two of the licenses there will
23 be sort of an extensive discussion of the terms.

24 With respect to I think your point

1 about these third parties sort of taking a risk
2 by entering into a business relationship with
3 IBM is a valid one, and then IBM -- we could
4 have been in the private arbitration, for
5 example, if this was an issue. It was IBM's
6 business decision to enter a public courtroom
7 rather than do a private arbitration.

8 In terms of the harm, my read of
9 the letters was generally that the harm is a
10 leverage in future negotiations potentially that
11 may take place, undefined kind of hypothetical.
12 These are not trade secrets. These are not sort
13 of specific technological pieces that directly
14 relate to the businesses or technologies of
15 these clients. There are cases out there, not
16 from this circuit, but from the Seventh Circuit,
17 that the leverage in business negotiations, that
18 that is not a trade secret or a harm that
19 justifies sealing the courtroom. If it was,
20 then every single business agreement that has
21 some financial terms in it that was not made
22 public can never be talked about publicly in
23 courtroom because that would generally apply to
24 every business agreement out there.

1 I hope that sort of clarifies for
2 the Court what it is that we intend to put in
3 front of the jury at trial. If you have any
4 other questions.

5 THE COURT: A couple. So if I'm
6 not going to close the courtroom, it does sound
7 as if Groupon would be agreeable to some
8 significant redactions to these license
9 agreements. I take it they contain a whole
10 bunch of stuff that you don't contend is
11 relevant to this case.

12 MS. SHAMILOV: Miscellaneous
13 provisions, all that, yeah.

14 THE COURT: Something related to
15 manufacturing was mentioned.

16 MS. SHAMILOV: I don't honestly
17 know what it is. I didn't see anything like
18 that in the agreement. I don't think any expert
19 talked about manufacturing provisions. I
20 honestly don't know what that provision was. It
21 wasn't mentioned in the filing.

22 THE COURT: If I were to as part
23 of my ruling were to direct you to spend some
24 time between now and Monday working with these

1 third parties coming up with redactions and I
2 would rule on disputes, that's not prejudicial
3 to Groupon?

4 MS. SHAMILOV: We can do that, but
5 I can tell you we will not agree to redact
6 financial terms. We cannot do that or the
7 names, or the fact that it was a cross license,
8 and what patents it is that they licensed from
9 IBM and just the volume of the cross licenses
10 because that just goes to the core. For two of
11 the licenses, Google is not an issue here, but
12 Facebook is part of the license defense that has
13 to have a detailed discussion of this license
14 agreement.

15 THE COURT: If you would run
16 through the Pansy factors for me and tell me how
17 they favor Groupon's position.

18 MS. SHAMILOV: I think the biggest
19 one would be sort of for me is the First
20 Amendment right and the public knowledge. I
21 mean, if you take -- we are in public court,
22 we're going to have jurors and citizens of this
23 state here deciding it. These license
24 agreements will be, both parties now agree,

1 relevant to several issues and really are going
2 to be discussed in both IBM's case and our case
3 extensively by multiple witnesses. If you take
4 that and weigh it against the harm, there is no
5 specific injury that's been identified by any
6 party. We're not talking about trade secrets.
7 Literally this is leverage and business
8 negotiations that applicable across the board to
9 any business. I think in balance the public
10 interest in deciding -- in knowing how this case
11 will be decided at the end of trial by the jury
12 and what it is that they considered and what
13 they heard I think outweighs any harm that's
14 been articulated.

15 THE COURT: All right.

16 MS. SHAMILOV: Thank you, Your
17 Honor.

18 THE COURT: Anything further from
19 Groupon?

20 MR. HADDEN: I just wanted to add,
21 Your Honor, picking up on your suggestion of
22 redactions, we do think that we could agree to
23 redact if there is information about
24 manufacturing or specific technology or anything

1 else that the third parties point to. As
2 Ms. Shamilov says, the key factors are how much
3 did they pay, and did they provide a cross
4 license. We don't care what the patents were
5 they cross licensed, we don't care what
6 technology space they're in, that's really all
7 Groupon needs to put these licenses in
8 perspective.

9 THE COURT: If IBM took the
10 position that they do want at least the
11 technology space to be known to the jury, you
12 don't object to that?

13 MR. HADDEN: I don't care. I'm
14 just saying as between us and the third parties,
15 that's fine.

16 THE COURT: Yes, Mr. Oussayef.

17 MR. OUSSAYEF: Your Honor, just
18 briefly, this may be the only point in the next
19 few days I'll say this, but I do agree with
20 Groupon on a number of points. Specifically we
21 do agree that the identity of the licensees is
22 very important for a couple of reasons. First
23 of all, if we think about the factors at issue,
24 we already know a lot of the licensees, some of

1 them were just mentioned when Groupon were at
2 the podium, some of them are clear from who was
3 intervening in this case. That was kind of
4 already -- the ship has already left the dock on
5 that issue.

6 Second of all, if we think about
7 the licensing defense that may become an issue,
8 it's unavoidable who those folks will be. And
9 then I think the last issue is there is a big
10 difference between saying company A licensed its
11 licensed IBM's technology and gave a cross
12 license, and you know, an unnamed company and a
13 company in a specific technology space. So I'm
14 not giving you the name of actual licensees in
15 the interest of confidentiality, but there is a
16 difference between saying, for example, Wal-Mart
17 got a license to the patents and eBay or Yahoo
18 did, because it's just a different technology
19 space and it reflects what the value of the
20 technology is in this case and what the
21 relevance is of the technology in the case.

22 So if we were to eliminate the
23 identity of the licenses, it really would not be
24 a fair portrayal of the facts in this case.

1 THE COURT: Thank you. Any of the
2 third parties want to add anything? Okay. Give
3 me a moment.

4 All right. Well, I thank all of
5 you for the argument and I particularly thank
6 the third parties for intervening and providing
7 the letters and the supporting materials of
8 being here to answer my questions.

9 I have had occasion to give this
10 issue a lot of thought before the pretrial
11 conference and in the weeks since. And my
12 conclusion basically remains what it was at the
13 time of the pretrial conference. In the context
14 at least of this particular case, I do not find
15 that either IBM or now with the support of the
16 third parties have met their burden to rebut the
17 presumption of access to this public trial, to
18 this public courtroom, to a public official
19 presiding over a proceeding that may take up two
20 weeks of eight of our citizen's time. The
21 public has an access, has a right under the
22 First Amendment to see that process, to evaluate
23 that process should they wish to do so. The
24 Court is being asked to preside over a

1 proceeding that may shift something on the order
2 of a quarter of a billion dollars from one
3 private party to another private party, and
4 given the relevance in many ways of the various
5 license agreements to that dispute and given the
6 background of law, again, I find that IBM with
7 the support of the third parties has not met
8 their burden to rebut the presumption that the
9 public has access to that proceeding.

10 The burden is on those who want to
11 close the courtroom doors. They must show good
12 cause. Relevant to that are the so-called Pansy
13 factors which I have carefully considered. At a
14 broad level here, these various license
15 agreements are relevant to issues including most
16 especially damages and the license defense.
17 It's very clear from both parties to the case
18 that this case cannot be tried without frequent
19 and likely extensive reference by numerous
20 witnesses to the license agreements, which means
21 as a practical matter were I to open and close
22 the doors each time we were to talk about those
23 license agreements, we would be opening and
24 closing the doors a great deal, and that would

1 interfere with my ability, I think, to have this
2 trial move smoothly and efficiently, not unduly
3 burden the jurors who will be here and not
4 unduly interfere with the parties ability to
5 fairly present their case.

6 Weighed against that are I will
7 acknowledge legitimate concerns of IBM, but even
8 more so the third parties. I recognize that
9 there may be some arguable competitive harm to
10 them. They clearly have a preference that these
11 terms of their agreement not be made public, not
12 be made known to their competitors or future
13 licensees or counterparties in license
14 agreements. They bargained among themselves to
15 the extent the law allowed for that protection.
16 I recognize their preference that that not be --
17 that work not be undone, but that all is not, of
18 course, decisive and it's all against the
19 background law which is patents are public
20 property, they are publicly issued rights. They
21 are frequently litigated.

22 It's reasonably foreseeable that a
23 party like IBM may continue its licensing
24 program and that may reasonably lead to a

1 situation in which they reasonably foreseeably
2 lead to a public trial. The third parties had
3 notice of this ongoing proceeding, and so in
4 this particular case they could see that there
5 was at least some chance that we would end up
6 where we are. And so while I don't mean to
7 minimize that there may be some adverse
8 consequence to this ruling to these third
9 parties, it does not outweigh the interest in
10 having the courtroom open and the other
11 interests that I have mentioned.

12 I will also say it's not quite in
13 my view the type of harm, specific and
14 particularized harm that the cases generally say
15 is required to get the kind of weight to lead to
16 a public proceeding being not public. I do
17 think it's fairly characterized as some loss or
18 diminishment of leverage in future negotiations
19 with other third parties. And again while I
20 don't say no weight is afforded to that, it's
21 not like it is in any instance that I have seen
22 the so-called secret sauce of your whole
23 business is at stake, or you know, the situation
24 we see sometimes in this court in our ANDA

1 litigation where the generic drug company's
2 specific formulation as to how they supposedly
3 do not infringe a patent would be particularly
4 harmful to other generic drug company
5 competitors solve that specific formulation that
6 they may not have done themselves, it's not that
7 type of information.

8 All that said, I do direct that
9 the parties meet and confer, and by parties I
10 now mean my interveners as well have a seat at
11 this table, and work on redactions. It's my
12 sense, and I don't think there is disagreement
13 on this, that there is a whole lot in these
14 agreements that is not relevant.

15 What is clearly relevant is the
16 financial terms, the existence of the
17 agreements, the names of the parties, and
18 whether there are cross licenses. That I am
19 persuaded is relevant. And so unless you work
20 out an agreement which I don't expect to redact
21 any of that, I don't think you'll persuade me to
22 redact any of those types of details.

23 Beyond that, I think you'll
24 probably agree on a lot that is not relevant to

1 this case and can be redacted. If you don't
2 work out an agreement, I will be willing to hear
3 from IBM and/or the third parties at some time
4 you all have crystalized the dispute and present
5 it to me during the course of the trial and I
6 will rule on specific objections to proposed
7 redactions.

8 I also direct that the parties
9 confer on what should be in the record post
10 trial. I haven't focused as much on that. I
11 have really been focused on what's going to
12 happen in realtime in the courtroom. But it may
13 be the considerations, it may even be that
14 Groupon's position is different with respect to
15 what the public transcript and the public set of
16 exhibits needs to look like in a post trial
17 context. Again, I really haven't focused on
18 that and we're not going to be at the post trial
19 time until some point down the road, so I would
20 ask that you meet and confer and get me your
21 views on that at some appropriate time as well.

22 Any questions about any of that
23 from IBM?

24 MR. OUSSAYEF: Not from IBM.

1 THE COURT: And from Groupon.

2 MR. HADDEN: No, Your Honor.

3 THE COURT: How about any of the
4 third parties, any questions or anything else
5 you want to add at this time?

6 MR. FISCHER: No, Your Honor.

7 MR. MARGULIS: No, Your Honor.

8 MR. TIGAN: No, Your Honor.

9 THE COURT: I think that takes
10 care of the issues the third parties are
11 concerned with. If that's true, you're excused.
12 You're welcome to stay, also. I'm now going to
13 turn my remaining time to IBM and Groupon and
14 some of the issues that relate to the trial.

15 First, I just want to make sure
16 everyone understands the schedule. On Monday,
17 the jury pool will be available to us at 9:30.
18 I am not available on Monday until at least
19 9:15, so you don't have to be here until 9:15 on
20 Monday. I'm hopeful I'll be here at 9:15 and
21 I'll get a chance to see you before we bring the
22 jury pool in. If I'm not able to get here in
23 time for that, then trust me, all we're going to
24 do initially is jury selection and we'll have

1 time to talk about any issues that you want to
2 talk about before we even get into opening
3 statements. It just may not be that we get to
4 do it before we select the jury.

5 Further, I issued an order that
6 told you I'm going to have to have basically
7 some half days along the way. We're just trying
8 to balance a whole lot of cases at the moment.
9 I do think with that, if you do use all of your
10 time, it's more likely you will still be in
11 trial as late as Friday the 27th as opposed to
12 Wednesday the 25th. So the references you had
13 in the preliminary instructions, and maybe in
14 the voir dire to Wednesday the 25th are going to
15 be changed to Friday the 27th. I much rather
16 tell the jury they're going to be here much
17 longer than they are.

18 All right. In terms of this open
19 question about access to Groupon by potential
20 jurors during the trial, I have given that more
21 thought as well. I saw the dispute remains, at
22 least as of the time you submitted the
23 preliminary instructions. I have decided that I
24 am going to bar access to use of Groupon on

1 either computer or mobile device among members
2 of the jury. My understanding of the technology
3 and the allegations here is such that while I
4 don't mean that a juror would be consciously
5 doing research relative to the issues in
6 dispute, they would in effect knowingly or
7 unknowingly be looking at precisely the accused
8 technology in a way that concerns me by those
9 who are going to be finding facts and resolving
10 this dispute.

11 So what I'm going to do is I will
12 have a question in the voir dire, or I will
13 somehow -- I know you guys have some information
14 on the party's use of Groupon based on the
15 questionnaire. I will also probably have one
16 question that ask about the general use of
17 Groupon and if they answer yes, come back to the
18 jury room and talk to us about that. Part of
19 what I will be thinking about is is this someone
20 who will be able to follow my instruction and
21 stay off of Groupon for the next two weeks and
22 if I'm afraid that they're not going to be able
23 to follow that instruction, that may well be
24 cause to strike them. So you will see that.

1 In terms of the rest of the voir
2 dire and the preliminary instructions, I'll
3 obviously have to get that done by Monday
4 morning and docket it so you'll see it. I think
5 the only question I have for you all is on the
6 proposed voir dire questions 10, 11 and 12 are
7 awfully broad. They're basically do you
8 regularly use a computer, use applications and
9 shop online. And I'm not sure that anyone today
10 would answer no to that, so it may be that you
11 want to talk to everyone, but is that what
12 you're intending or might there be a way we
13 could narrow those questions? I'm just trying
14 to figure out what you're trying to get at with
15 those questions. Any thoughts from IBM?

16 MR. OUSSAYEF: Yes, Your Honor.
17 That's a fair point. And we do think that
18 question could be narrowed. Perhaps those
19 questions could be condensed down to something
20 like are you a frequent, you know, online
21 shopper or some way of making it a little bit
22 more narrowly tailored so that not everyone
23 answers yes.

24 THE COURT: If I tailor it to

1 Groupon, would that be too narrow from IBM's
2 perspective?

3 MR. OUSSAYEF: I think, Your
4 Honor, that might be a little bit too narrow
5 because there are other questions that target
6 Groupon specifically. We might as well use this
7 question as a way of distinguishing this
8 question from questions that are specific to
9 Groupon. I struggle to come up with something
10 off the top of my head, but I'm thinking about
11 do you regularly purchase products and services
12 online on a weekly basis or something of that
13 nature.

14 THE COURT: Okay. Thank you.
15 Does Groupon have any thoughts?

16 MR. HADDEN: We generally are in
17 agreement, Your Honor. I think we can narrow it
18 to some frequency thing to get it to kind of how
19 savvy they are versus not, and not focus just on
20 Groupon. I think we can come up with some
21 agreeable language, Your Honor.

22 THE COURT: Okay. Well, let's put
23 it this way, we're going to be working on this
24 this morning. If you come up with something

1 that you agree on this morning, please let us
2 know, otherwise we'll put our heads together and
3 we'll come up with something.

4 MR. HADDEN: Thank you, Your
5 Honor.

6 THE COURT: In terms of
7 preliminary instructions of voir dire, anything
8 else that IBM wanted to talk about? Again, I
9 have asked you my question.

10 MR. OUSSAYEF: No, Your Honor,
11 nothing else comes to mind in particular.

12 THE COURT: How about from
13 Groupon? And is it about the license point?

14 MS. SHAMILOV: Yes.

15 THE COURT: I'm with you on the
16 license point, so I am going to tell the jury
17 about your license defense.

18 MS. SHAMILOV: Thank you. Then
19 that resolves -- we don't have any other issues.

20 THE COURT: Thank you. I thought
21 it was appropriate, it is one of the issues in
22 this case and I didn't think it was inconsistent
23 with how we're handling the other issues and
24 just a sentence or two, it's not going to

1 overwhelm the jury.

2 On your notebooks, we have had
3 some success with photos of the witnesses,
4 jurors tend to like that. If there is no
5 objection, then I would suggest that you add
6 those as well. Is there any objection to that?

7 MR. OUSSAYEF: No objection from
8 IBM, Your Honor.

9 MR. HADDEN: No objection, Your
10 Honor.

11 THE COURT: All right. Then we
12 have these authenticity or other objections in
13 your status report. I guess let me hear from
14 IBM first because I read it, I think there are
15 two broad issues that IBM was raising, so why
16 don't you come up and address those.

17 MR. OUSSAYEF: Yes, Your Honor,
18 there are two issues that we're addressing. The
19 first concerns newly produced documents, newly
20 identified witnesses, new depo designations and
21 a variety of other material that was disclosed
22 this week. And the second involves the
23 identification of prior art by Groupon.

24 I'll start with the first issue

1 which in my mind is the much more serious issue
2 here. What has happened recently is we have had
3 the identification of a lot of materials that
4 were produced very recently and have a
5 significant potential impact on this trial.

6 If Your Honor can imagine
7 identification of five new witnesses that were
8 not on the original trial witness list on the
9 eve of trial creates a lot of prejudice here.

10 THE COURT: Let me ask you, do all
11 those witnesses to the extent you understand
12 them, do they go to any issue other than
13 authentication?

14 MR. OUSSAYEF: Yes, Your Honor,
15 they go well beyond authentication. There are
16 witnesses who talk about how the prior art
17 functioned, when it was available, when
18 references were published, et cetera.

19 THE COURT: Well, I would assume
20 all those are authentication. How is that --

21 MR. OUSSAYEF: Let me give you a
22 specific example, Your Honor. There is a
23 reference called the Solomon reference. That
24 reference is a thesis. That thesis was during

1 the Priceline case we had a summary judgment
2 argument about whether that was publicly
3 available because it was in a library somewhere
4 and there was a question about whether it was
5 able to be searched by the public, whether that
6 library was accessible by the public, et cetera.
7 And as a thesis, it's different than a normal
8 periodical. That issue was all debated during
9 the Priceline case. There was a deposition
10 taken in that case. It was produced in this
11 case. And our expert opined in detail about how
12 it wasn't publicly available. That's a
13 different issue than authenticity.

14 Now in this case the week before
15 trial on the witness list is the purported
16 author of this, the librarian where this
17 reference was kept, and declarations from those
18 individuals. And that is not an issue of
19 authenticity. This isn't a question of whether
20 that is the actual thesis, it's a question of
21 whether the thesis was publicly available.

22 There is absolutely no reason why
23 that evidence should be brought up now. And the
24 fact that we objected to authenticity has no

1 bearing on public availability. Furthermore,
2 IBM has offered to drop authenticity objections
3 to all prior art except for the Amazon system
4 where there are the most serious concerns. That
5 would include the Solomon reference, if Groupon
6 would simply say we're not going to rely on the
7 stuff we produced this week. That's a very fair
8 compromise.

9 We don't think we necessarily need
10 to make it because we don't think the simple act
11 of making objections to trial exhibits should
12 reopen fact discovery, otherwise in every single
13 case we would reopen fact discovery because
14 everyone objects to everyone else's exhibits.

15 Here we have a compromise where we
16 say we will drop the authenticity objections
17 just so we can focus on trial and get by this.
18 All we're asking is let's not bring up any of
19 this new material, these new witnesses, this
20 declaration, these deposition designations,
21 these documents the week before trial.

22 THE COURT: So if they don't
23 accept that and I don't order that as the result
24 here, one of things they do say is that they

1 understand they have an obligation to show good
2 cause if they're going to rely on any of these
3 new things at trial, why shouldn't I just say
4 that's fine and we'll deal with it next week or
5 the week after as need be?

6 MR. OUSSAYEF: Because, Your
7 Honor, if we think about the newly identified
8 witnesses, we do not know who is coming to
9 trial. We don't know what they're going to say.
10 We had no opportunity to depose those witnesses.
11 So what that would mean is that the day before
12 someone is going to testify, according to the
13 pretrial order, they would disclose the witness
14 to us. So they would say, oh, by the way, the
15 author of this prior art system is coming to
16 trial tomorrow, and then we would have no idea
17 what they're going to say. They could testify
18 about hey, in my understanding --

19 THE COURT: So what if I make them
20 change them from may call to will call, they're
21 going to in the next day or two and give you a
22 chance to depose them.

23 MR. OUSSAYEF: The problem, Your
24 Honor, is that the next day or two would be

1 Sunday before trial. So we're talking about
2 taking away members of our team to go take
3 depositions of witnesses that were never
4 explored during discovery because they were
5 never disclosed. It's completely disruptive of
6 the trial. And furthermore, it was entirely
7 foreseeable. This whole thing, this is not an
8 issue where there was something that came up
9 unexpectedly. This is something they knew about
10 all along.

11 Let me give you another example,
12 Your Honor, which shows what's going on here.
13 The Amazon source code, which is one of their
14 prior art systems, that source code was produced
15 after the close of fact discovery. We had a big
16 dispute about it. Eventually Your Honor
17 permitted Groupon to rely on it, but Your Honor
18 did grant costs for our expert to fly across the
19 country and go and investigate that source code.
20 We had to extend expert discovery out. We had
21 to investigate the source code and respond to
22 their expert's additional opinions on the source
23 code. We deposed a witness on this all after
24 the close of fact discovery.

1 Now they're submitting a
2 declaration and saying a witness might come to
3 trial and tell us that the source code was on
4 Fenwick & West servers since 2009. They had it
5 the entire time. And that's going to be their
6 rebuttal to the authenticity challenges to the
7 public availability challenges. We know as a
8 firm that we have had it since 2009 even though
9 we produced it after the close of fact
10 discovery. It's almost comical what's going on
11 here. And it's really frustrating because we
12 don't have a chance to defend ourselves from
13 these unknown surprise witnesses.

14 THE COURT: Let's save the prior
15 art question so I can deal with this one first.

16 MS. SHAMILOV: Your Honor, I guess
17 I'll address the Amazon issue first. So
18 yesterday we did get an offer from IBM to drop
19 sixty-eight of their authentication objections
20 and maintain them only to Amazon source code if
21 we agree not to rely on anything else. So we
22 responded and said that's fine, we can work with
23 that. Would you please stipulate to this
24 addition to the joint stipulated facts, for

1 example, that certain U.S. patents have this
2 date. And they refused. They said -- they're
3 basically saying now that they never raised this
4 issue, but a whole bunch of prior art including
5 U.S. patents that they dispute that they were
6 publicly available, U.S. issued patents. So
7 these were never issues that were raised.

8 THE COURT: So you're saying if I
9 looked at whatever back and forth you have had,
10 that they made an offer and you're accepting it,
11 but now they don't want to take it?

12 MS. SHAMILOV: We accepted it by
13 saying -- the problem is the authentication
14 objections as they were phrased and given to us
15 were broaden than just authentication objection
16 and now they seem to be authentication
17 objections together with public availability
18 objections, and to a whole bunch of prior art
19 that was never an issue during this case that
20 IBM has never raised even in the expert reports
21 about public availability.

22 So we said fine, I think this will
23 resolve the issue if you drop all these
24 authentication objections, but just so we know

1 your position would you agree to this joint
2 addenda of the uncontested fact that basically
3 just list the name of the prior art and the
4 date. And they said we will not agree to any of
5 this. And the list, and I don't understand
6 honestly why because the list includes U.S.
7 patents and they're now saying we dispute that.

8 With respect to what it is that we
9 have produced, we produced information to deal
10 with authentication objections. For example,
11 the Solomon declaration, the reason why it said
12 there this is my thesis and I gave it to the
13 library is to make sure that they don't come
14 back and say, well she says this is her thesis,
15 but there is nothing else in the declaration to
16 tell us that she actually has knowledge that
17 this is her thesis. The stuff that we produced
18 is to deal with authentication, not public
19 availability. It's just phrased that way to be
20 complete, to show authentication.

21 On the Amazon issue, Paul Davis
22 will be the fact witness on the Amazon code and
23 is the author of it during his deposition said
24 many times, this is the code I wrote, I operated

1 the website, this is the code that ran the
2 website. We never thought there would be an
3 authentication objection to the Amazon code in
4 light of that deposition.

5 Now that they're maintaining that,
6 the declaration from our paralegal said in 2009
7 I was on the case, here is two trial exhibits
8 that were in our vault since then that Amazon
9 directed -- allowed production in response to
10 the subpoena, these are the same things that are
11 exhibits in this case. It's just authenticating
12 the CDs. It is nothing about public
13 availability.

14 And honestly the only reason we
15 had to do it is because they maintain an
16 authentication objection, but there shouldn't
17 really be an authentication objection. To the
18 extent they're arguing that there is an issue,
19 we dispute that it was publicly available, that
20 is a substantive issue, Paul Davis will be here,
21 they can cross-examine him on that. That is not
22 an authentication objection but they lumped
23 those two issues together and we had to deal
24 with it and that's how we addressed it.

1 THE COURT: The letter also had as
2 a Groupon issue concerns about whether IBM had
3 still articulated all of its authenticity
4 objections. I think we are at least implicating
5 that now. Is that still a concern?

6 MS. SHAMILOV: It's still a
7 concern. The problem is that all we have --
8 authentication issues, if there is no suspicion
9 that something is not authentic and this is not
10 what it is, I think an authentication objection
11 in a vacuum is not an genuine objection, and so
12 far everything we have from them said you did
13 not put forth any evidence showing this is
14 authentic, you did not meet your burden on
15 authentication. They're objection to the
16 authentication of books. I don't know how to
17 deal with that, Your Honor, honestly.

18 THE COURT: Well, in terms of how
19 to deal with it is my understanding was that
20 everything that you might rely on to deal with
21 it has now been identified to IBM and that's
22 part of what they want me to say won't come in.
23 But if you say to me I don't know how to deal
24 with it, and I say to you, well, if you can show

1 good cause that this is just for authenticity
2 purposes, I'll let you present the evidence.
3 That evidence, the full universe of it is these
4 five new witnesses plus the new documents, et
5 cetera; correct?

6 MS. SHAMILOV: Correct. Correct.
7 I do think at this point what you've suggested I
8 think is the right approach and the procedure
9 here. We're obviously going second. Maybe some
10 of this stuff won't be coming in, so to the
11 extent it will come in, we can definitely
12 resolve that then and sort of bring it up to
13 your attention. Some of the stuff may not be an
14 issue.

15 At the moment we think that
16 authentication objections were not articulated,
17 just sort of everything is the same high level
18 you didn't meet your burden. And we have tried
19 our best, we really put a lot of effort and
20 tried our best to resolve it by giving
21 information that really shows, these are not
22 doctored documents, they're authentic books and
23 articles, and that's kind of where we are right
24 now.

1 THE COURT: Thank you. I'll have
2 you come on back. We're now dealing with their
3 concern about your objections as well as the
4 issues.

5 MR. OUSSAYEF: Right. Your Honor,
6 I think there is a very simple solution to this
7 which is we will drop our authenticity
8 challenges to all prior art except for the
9 Amazon source code if they don't bring their new
10 people that they identified this week. There is
11 no reason why that deal can't work. And I don't
12 understand why this won't work. We're not going
13 to agree to public availability, that's a
14 different issue.

15 THE COURT: Is that a deal or is
16 there something missing?

17 MS. SHAMILOV: That's generally
18 fine, but I do need the paralegal declaration on
19 Amazon code if they're going to say it's not an
20 authentic --

21 THE COURT: My understanding the
22 offer -- well, are you asking them to drop the
23 new witnesses and new documents that relate to
24 Amazon code, or just everything that doesn't

1 relate to Amazon code?

2 MR. OUSSAYEF: I'm a little
3 confused because my understanding is Paul Davis
4 was going to be the fact witness on Amazon, the
5 person who was already deposed on this issue.

6 MS. SHAMILOV: That is correct,
7 but even in light of his deposition testimony
8 they're now complaining that the CD, the
9 exhibits about with source code are not
10 authentic. I'm fine dropping everything but the
11 Amazon related declaration.

12 THE COURT: There is two buckets,
13 there is Amazon code and non Amazon code. All
14 of our objections and all of the new evidence
15 that goes to non Amazon code bucket is out, but
16 Amazon code objections and therefore Amazon code
17 new evidence is still on the table. Maybe I
18 should make a ruling, but at least it's still on
19 the table.

20 MR. OUSSAYEF: Yes, Your Honor, I
21 think that's fair. Just to clarify, we wouldn't
22 waive our objection to bringing a new witness on
23 Amazon code at this late stage, but we could
24 have an agreement that would resolve the vast

1 majority of the disagreements between the
2 parties by us simply dropping all our
3 authenticity challenges to all the other prior
4 art besides Amazon in exchange for not relying
5 on anything new and we would take up the dispute
6 about the paralegal.

7 THE COURT: Not relying on
8 anything new for the non Amazon code; correct?

9 MR. OUSSAYEF: Right. That's
10 correct, Your Honor.

11 THE COURT: So I think that's a
12 deal; is that right?

13 MS. SHAMILOV: As long as the
14 Amazon stuff stays, what I want is the Amazon to
15 stay in, I think that's fine.

16 THE COURT: So to be precise, the
17 so-called non-Amazon code authenticity
18 objections are now withdrawn and, therefore, all
19 of the, we'll call it in quotes, new evidence
20 that Groupon wanted to rely on with respect to
21 the non-Amazon code materials relating to
22 authenticity, those are now no longer being
23 offered into evidence. Which still leaves in
24 dispute IBM wants to continue to press its

1 objections for the moment at least to the
2 authenticity of the Groupon code and, therefore,
3 Groupon reserves the right to present or try to
4 show good cause to present the new evidence
5 related to authenticity of the Groupon code.
6 Understood?

7 MR. OUSSAYEF: Yes, Your Honor,
8 that is all correct by IBM.

9 MR. HADDEN: One correction. You
10 said Groupon code. I think you meant Amazon
11 code.

12 THE COURT: I meant Amazon code,
13 yes.

14 So you all tell me, I feel like we
15 just did a little bit of work, do you want more
16 time to talk about how to deal with the Amazon
17 code objections and evidence or are you asking
18 for a ruling at this point?

19 MR. OUSSAYEF: I think on the
20 Amazon code issues, I don't think the parties
21 are likely to reach agreement right now. I
22 guess, you know, setting aside the previous
23 agreement, which I think it was great, it
24 resolved a lot of issues in dispute, focusing on

1 the Amazon issue, I guess IBM is at a loss, if
2 Paul Davis is sufficient to authenticate the
3 Amazon code, why do we need a surprise witness
4 on the eve of trial?

5 So we already deposed someone who
6 supposedly is going to come in and I think
7 opposing counsel even stated in the presentation
8 earlier today Paul Davis is our fact witness on
9 authentication. So why do we need another fact
10 witness? And I would ask the Court to preclude
11 that because once again, we don't have a
12 deposition of this witness, we don't know
13 exactly what they're going to say. And the
14 witness -- let's be clear, the witness is going
15 to say something like, you know, our legal
16 offices had this code the entire time which just
17 demonstrates a total lack of diligence in terms
18 of disclosing this evidence if it really was
19 something that was relevant back during fact
20 discovery or even after fact discovery when this
21 became a big dispute last year.

22 THE COURT: Do you want to
23 respond?

24 MS. SHAMILOV: Yes, Your Honor. I

1 think the issue is as I understand their
2 objection, they're going to come up and say Paul
3 Davis is not a current employee at Amazon.
4 Amazon produced these two CDs in response to the
5 subpoena in this case. We have no clue where
6 these two CDs came from. I think that's the
7 gist of their objection. And Paul Davis cannot
8 talk about it.

9 If they will agree for Your Honor
10 to consider that declaration in resolving their
11 objection to the CDs, we don't need the witness
12 to be here. I don't think this is a jury
13 question, I think it's a question to resolve
14 whether we have enough here legally from a legal
15 perspective that these CDs are just authentic
16 copies of these CDs. We have a declaration, we
17 don't need Ms. Palmroy here on the stand in
18 front of the jury if Your Honor will consider
19 the declaration and just resolve the issue, but
20 that's the reason we need Ms. Palmroy to say
21 these are the same CDs that are sitting in the
22 vault.

23 THE COURT: At this point do you
24 still request further specification of their

1 objection, or are you pretty confident you
2 understand their objection?

3 MS. SHAMILOV: I think I
4 understand their objection and I think at this
5 point, once --

6 THE COURT: And you would be
7 content for me to rule on the objection after
8 reviewing whatever this declaration or other
9 evidence is?

10 MS. SHAMILOV: Yes, Your Honor.

11 THE COURT: Mr. Oussayef, how do
12 you feel about me ruling on the authenticity
13 objection after I review whatever it is that you
14 want to present to me about it?

15 MR. OUSSAYEF: Your Honor, right
16 now there are no facts entered into the case, so
17 I think it would be premature to rule on
18 something that is not entered into evidence. So
19 I think it would be premature. We don't have
20 any discovery on this witness and what they're
21 going to say, so simply --

22 THE COURT: So if I'm not prepared
23 to say they can't use the declaration or new
24 witness, what else would you propose that I do?

1 MR. OUSSAYEF: Then the witness
2 should come to trial and testify about the
3 authenticity about the Amazon source code if
4 they can.

5 THE COURT: Is there something
6 more you want to propose?

7 MR. HADDEN: Just to put this in
8 perspective, the witness is a paralegal at my
9 law firm. She will testify that we have these
10 CD's. Why do we have these CD's? Because they
11 were evidence in this Court in 2007 in a case in
12 front of Judge Thyng where exactly the same
13 code was at issue, it was admitted into
14 evidence. We kept a copy of the exhibit. All
15 she's going to say is yes, that is the same
16 exhibit that was in court in Delaware however
17 many years ago and it's been in our vault ever
18 since. I'm not sure why she needs to come and
19 testify about that. It seems like her
20 declaration explaining that simple fact should
21 be enough to put this to rest.

22 THE COURT: Just briefly, I'm near
23 the end of time.

24 MR. OUSSAYEF: Your Honor, I think

1 what's been lost here, and this is not just a
2 procedural pro forma objection here, we have
3 Paul Davis, the witness on the Amazon code say I
4 don't know, this wasn't organized the way I
5 organized it. It's in different folders. I
6 can't verify that all the files existed from the
7 past. I don't know how it got from Amazon to
8 here.

9 So this is not let's make
10 Groupon's life difficult. I think that that's
11 reflected by the fact that we dropped all the
12 authenticity challenges. It's something serious
13 and important in this case which is was this
14 actually the code running on Amazon's website in
15 1995.

16 THE COURT: All right. Well,
17 then, if IBM is going to continue to press this
18 objection, which I hear they are, I'm going to
19 allow Groupon to reserve the right to present
20 this again new evidence including the witness to
21 answer the authenticity objection if it
22 continues to be pressed, but I don't think IBM
23 should have to hear the witness's testimony for
24 the first time from the stand, so she, I think

1 it is, will have to be made available for a
2 deposition, likely a very short deposition, at
3 some reasonable time before the witness is
4 called to the stand at trial. So you all are
5 going to have to work that out. But I'm not
6 going to deprive IBM of its objection, but I'm
7 not going to deprive Groupon of its chance to
8 have a full and fair opportunity to respond to
9 that objection.

10 I don't think what Groupon is
11 proposing to do is unfair or unduly prejudicial
12 to IBM given how these objections have played
13 out in terms of timing and specificity, et
14 cetera. I'll leave it to you all to work out
15 the details.

16 In my remaining just a couple of
17 minutes left, I think there was that one last
18 issue about the number of prior art references
19 and if I understand it correctly, it basically
20 comes down to there is a bunch of them that
21 relate to maybe one system and how should we
22 count that.

23 MR. OUSSAYEF: Yes, Your Honor.
24 So that's the very issue is there is no

1 allegation that there is any Liberty system.
2 That is, you know, undisputed between the
3 parties. So the question is does multiple
4 publications which are different versions of
5 parts of a specification, do they all count as
6 one prior art piece? And if we look at the
7 language that the parties agreed to, it's
8 explicit that a publication is a piece of prior
9 art, and that Groupon is limited to five pieces
10 of prior art or references per patent.

11 So it comes down to something very
12 simple because they have listed seven different
13 parts of the Liberty specification that concern
14 different issues, so one is like the protocol
15 specification, the other is the communication
16 spec. I'm not using the exact words, but
17 they're different pieces of the specification in
18 different version. So one is Version 1 Errata
19 2, one is Version 2, one is Version 1 but Errata
20 Version 1, and really it should be -- I think it
21 should be pretty easy for Groupon to simply go
22 down to the five references they want to use.
23 They have listed three other references for the
24 '346 patent, so they can pick the two Liberty

1 alliance publications that they want to rely on
2 and go into conformance.

3 THE COURT: What about the
4 argument that your expert treated all of these
5 Liberty documents as a single prior art
6 reference?

7 MR. OUSSAYEF: I think my expert
8 addressed individual disclosures in the
9 different references. I mean, I think to a
10 certain extent if we have their expert saying
11 it's one big combination, it's natural that
12 we're going to try to address their theory that
13 they can be all combined together. But that
14 doesn't excuse the fact that they are different
15 versions of the specification. And if we think
16 about a system, if they're saying there is a
17 system that existed at some point in time, I can
18 attack that system and say that system didn't do
19 what you said, this is evidence that this system
20 didn't do what you said.

21 But if you say that there is all
22 these publications and together I think they
23 used the word akin to a system, then we can't
24 attack one of those publications because they

1 could say well, forget about that one, we're
2 going to talk about this other publication.

3 So it's a very different
4 situation, it's a moving target compared to a
5 system where you have one specific thing that we
6 know of in advance of trial.

7 THE COURT: Thank you. I'll hear
8 from Groupon.

9 MS. SHAMILOV: Your Honor, Liberty
10 Alliance is an industry standard. It's
11 mentioned as such in the patent itself. The
12 inventor admitted that it was a standard that
13 everybody knew about, described it in various
14 levels of details in several documentation, but
15 it's one single thing, Liberty Alliance
16 standard. Our expert's theory on invalidity
17 relies on the standard, not any individual
18 reference. So by them asking us to drop
19 references, that means that my expert will not
20 be able to take the stand and talk about this
21 theory at all. And honestly --

22 THE COURT: I don't understand
23 that, why can't you use --

24 MS. SHAMILOV: Because think of it

1 as this, so it is akin to a system because it's
2 a standard, think of it as a system that has
3 multiple source code files. You rely on source
4 code files to say this is how the system works.
5 Here we have a standard that's described in
6 multiple documents and our expert said this is
7 the standard, here are the documents that
8 describe it, this is how the standard work.
9 It's undisputed that this was one single thing.
10 It's not multiple publications, it said so in
11 the patent and then the inventor admitted it.

12 If I'm going to be forced to
13 remove certain documents, my expert did not talk
14 about the standard because the standard is akin
15 to a system and basically he cannot rely -- he
16 doesn't have a description, the full description
17 of that one standard.

18 And the parties agreed to the
19 limitations that are how much prior art and
20 claims we would identify. We would never have
21 agreed to this number. We have no dispute of
22 what prior art or how much of it to identify.

23 THE COURT: What you agreed to
24 doesn't refer to how to count a standard, it

1 refers to systems, patents, publications;
2 correct?

3 MS. SHAMILOV: Your Honor, I
4 agree. If we were to be a little more detailed
5 and precise, we could have called that a
6 standard, but in our mind how it's treated in
7 the patent by the inventor itself, it is akin to
8 a system. There is no Liberty Alliance
9 publication one, Liberty Alliance publication
10 five. There is a Liberty Alliance standard and
11 its description just happens to be in separate
12 documents.

13 And their expert had absolutely no
14 problem addressing it. There is one section in
15 the report that talks about the Liberty Alliance
16 standard, so I'm not sure this notion that they
17 do not know how to respond to the invalidity
18 theory, he responded to it, he had absolutely no
19 problem with it and treated it as one single
20 thing. That's how the industry treats it,
21 that's how the patent treats it, that's how the
22 inventor herself admitted it in her deposition
23 and will testify so at trial.

24 THE COURT: Thank you.

1 Is it your understanding that
2 there would be no testimony from their expert
3 allowed about this being a system if I grant
4 your position?

5 MR. OUSSAYEF: No testimony
6 allowed --

7 THE COURT: What I understood is
8 if I agree with IBM, they could only use up to
9 five of these publications, and fewer than that
10 if they want to use other publications for this
11 particular claim, I guess, but I'm not sure that
12 there is anything that would preclude them from
13 having an expert say Liberty Alliance is a
14 system and I understand it to be a system and
15 maybe make some argument based on that, but does
16 your position preclude the latter?

17 MR. OUSSAYEF: Our position does
18 not preclude the expert from talking about the
19 Liberty standard, vis-a-vis a certain number of
20 publications that's acceptable under the
21 limitation of prior art, so if they choose to
22 choose three publications and that meets the
23 limitations, then their expert can say here is
24 what the standard was and talk about those three

1 publications.

2 What we're worried about is if the
3 expert starts saying well, here is the one
4 Version 1.0 of this part of the standard, here
5 is Version 2 of this other part of the standard,
6 and there is no testimony on the record about a
7 particular system that existed at any particular
8 point in time, then we don't know what their
9 theory really is and they're going above the
10 limitations that are here.

11 There are many standards in the
12 world. There is the GTPIP standard, but in a
13 patent case we figure out what references are
14 you going to use to describe that standard
15 because you can implement that standard in
16 different ways. That standard can be used one
17 way or another, and there is many different ways
18 to describe it. But to assert an obviousness
19 combination you have to tell us what are the
20 things that you contend express that standard.
21 And that's all we're asking.

22 And their expert will be perfectly
23 free to talk about the Liberty Alliance
24 standard, they just can't rely on eight

1 different documents to describe it, they just
2 rely on the three that they think best describes
3 it and discloses what's going on.

4 THE COURT: Come on back just
5 briefly.

6 MS. SHAMILOV: I know you're out
7 of time, Your Honor, I'm sorry.

8 THE COURT: I'm already late.

9 MS. SHAMILOV: But my expert
10 cannot get up here and say there was a Liberty
11 Alliance standard that the patent talks about
12 and the inventor admitted to, but I'm not
13 allowed to actually use the documents to tell
14 you what the standard was. This is what they're
15 trying to do. So it is a standard. It's
16 described in seven documents.

17 THE COURT: I don't understand.
18 Of course we're not going to let the expert
19 complain about the court to the jury, but the
20 expert as I understand it, there is no objection
21 to him or her saying Liberty Alliance is a
22 standard, here is what the standard is, and I'm
23 going to show you some documents now, but it's
24 only up to five documents.

1 MS. SHAMILOV: But he can't do
2 that. He won't be able to describe the standard
3 and all the relevant functionality with the
4 reduced amount of the documents because that's
5 an incomplete description of the standard.

6 THE COURT: But then why did you
7 agree to what you agreed to?

8 MS. SHAMILOV: Because from our
9 perspective we actually were surprised for them
10 to raise this issue because every single -- the
11 inventor, their expert, our expert and the
12 patent itself treats it as one thing. It's a
13 single prior art. It's an industry standard.
14 It's not seven different prior art publications,
15 it's a single prior art. We're talking about
16 akin to an argument that you can talk about
17 Amazon's system, but only if you can use five
18 source code files to describe it instead of ten
19 source code files to describe it.

20 THE COURT: But you foresaw that
21 situation and you dealt with it with the source
22 code.

23 MS. SHAMILOV: But they're picking
24 things that something is akin to a system and

1 not saying system/standard that every party at
2 issue in this case was operating under and
3 forcing us to limit the Liberty Alliance
4 publications, it's highly prejudicial because it
5 will really wipe out our invalidity defense and
6 the theory.

7 THE COURT: Bear with me a minute.

8 All right. Well, I'm going to go
9 with Groupon on this. I'm troubled that you all
10 didn't deal with this more clearly and sooner.
11 I'm going to view akin to a system as akin to a
12 system. It doesn't sound to me like this is
13 terribly prejudicial to IBM. If the universe, I
14 should say I don't understand the great dispute
15 on this, is capped at the seven publications,
16 but my ruling doesn't mean go out and find 25
17 more because I have now said this is akin to a
18 system, but I think the patentee as well as the
19 plaintiff's expert has understood that this
20 Liberty Alliance is a standard, it's close
21 enough therefore to a system.

22 I'm concerned by the defendant's
23 argument that this would totally eviscerate
24 their invalidity arguments if I ruled for IBM on

1 this. Again, I think that the parties should
2 have foreseen this and I'm troubled a little bit
3 that the literal language that you all proposed
4 is such that it favors IBM, but weighing
5 everything I'm going to let Groupon do this.

6 Hopefully there is nothing urgent
7 because I'm already pretty late, but anything
8 else?

9 MR. OUSSAYEF: Nothing further,
10 Your Honor.

11 THE COURT: Anything else from
12 Groupon?

13 MS. SHAMILOV: No. I do have
14 proposed voir dire questions. I don't know the
15 best way to handle it. I can put it on the
16 record.

17 THE COURT: I assume you haven't
18 had a chance to chat yet?

19 MS. SHAMILOV: No.

20 THE COURT: Chat about that and
21 then call or email Mr. Looby if you can.

22 MS. SHAMILOV: I do have just one
23 very quick question. We have this potential
24 supplementation issue. We have asked IBM to

1 supplement their licenses post discovery to the
2 extent they have entered into additional license
3 agreements, sort of similar to supplementing our
4 financials, and they have refused to do that.
5 We probably will need your help with that. I
6 know you're out of time.

7 THE COURT: I'm not able to help
8 you now other than to say Mr. Oussayef, is there
9 potentially a dispute here?

10 MR. OUSSAYEF: No, there is not,
11 Your Honor. We represented to them that we have
12 produced all relevant licenses several times in
13 emails. I don't understand this dispute. Every
14 time we say we have produced all relevant
15 licenses they come back and ask us to do it
16 again, but that's --

17 MS. SHAMILOV: We can talk about
18 this in light of this representation off of the
19 Court's time.

20 THE COURT: You'll be seeing
21 plenty of me starting Monday and if this remains
22 a dispute, you'll let me know. See you Monday.
23 Have a nice weekend.

24 (Court recessed at 10:00 a.m.)

1 State of Delaware)
2)
3 New Castle County)
4

5 CERTIFICATE OF REPORTER
6

7 I, Dale C. Hawkins, Registered Merit
8 Reporter, Certified Shorthand Reporter, and Notary
9 Public, do hereby certify that the foregoing record,
10 is a true and accurate transcript of my stenographic
11 notes taken on July 13, 2018, in the above-captioned
12 matter.
13

14 IN WITNESS WHEREOF, I have hereunto set my
15 hand and seal this 13th day of July 2018, at
16 Wilmington.
17

18
19 /s/ Dale C. Hawkins
20 Dale C. Hawkins, RMR
21
22
23
24